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EXECUTIVE SECRETARIAT

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17	NIO/ECON		X		
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Remarks

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Executive Secretary

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Minutes
22 Nov 85
4667/1

THE WHITE HOUSE
WASHINGTON

CABINET AFFAIRS STAFFING MEMORANDUM

fall

Date: 12/16/85 **Number:** 317038CA **Due By:** _____

Subject: Cabinet Council Minutes

	Action	FYI
ALL CABINET MEMBERS	☐	☐
Vice President	☐	☑
State	☐	☑
Treasury	☐	☑
Defense	☐	☑
Justice	☐	☑
Interior	☐	☐
Agriculture	☐	☑
Commerce	☐	☑
Labor	☐	☑
HHS	☐	☐
HUD	☐	☐
Transportation	☐	☑
Energy	☐	☐
Chief of Staff	☐	☑
Education	☐	☐
OMB	☐	☑
CIA	☐	☑
UN	☐	☐
USTR	☐	☑
GSA	☐	☐
EPA	☐	☐
NASA	☐	☐
OPM	☐	☐
VA	☐	☐
SBA	☐	☐

	Action	FYI
CEA	☐	☑
CEQ	☐	☐
OSTP	☐	☐
_____	☐	☐
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McFarlane	☐	☑
Svahn	☐	☑
Chew *(For WH Staffing)*	☑	☐
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Executive Secretary for:		
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EPC	☐	☑
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REMARKS:

Attached for your information are the minutes of the following Economic Policy Council Meetings:

November 22, 1985
November 26, 1985

RETURN TO:

☑ **Alfred H. Kingon**
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ **Don Clarey**
☐ **Rick Davis**
☐ **Ed Stucky**

Associate Director

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MINUTES
ECONOMIC POLICY COUNCIL

November 22, 1985
10:30 a.m.
Roosevelt Room

Attendees: Messrs. Baker, Block, Baldrige, Brock, Miller, Yeutter, Sprinkel, Whitehead, Wright, Svahn, Kingon, McAllister, Brashear, Danzansky, Hoffman, Khedouri, McMinn, Mulford, Smart, Stucky, and Woods, and Ms. Risque.

1. Semiconductors

Ambassador Yeutter stated that the Japanese had made an offer to open their semiconductor market to Ambassador Smith and Clyde Prestowitz on a recent trip to Japan. He expressed his concern that initiating an antidumping case against the Japanese 256K RAMs, as suggested by the Trade Strike Force and the Economic Policy Council, at this time might cause the Japanese to retract their offer. Secretary Baldrige expressed some skepticism about the Japanese offer, suggesting it was timed to affect the Administration's decision regarding initiating an antidumping case. The Council agreed to send its recommendation regarding semiconductor dumping to the President and to review the timing of initiating such a case, if the President assents, at a later meeting.

2. GATT Contracting Parties Meeting

Ambassador Yeutter stated that the GATT Contracting Parties are scheduled to meet November 25 to discuss the possibility of a new GATT round. He noted that Brazil, India, and several other developing countries, and France are opposed to including services within the coverage of a new round. He reviewed the objectives for the GATT Contracting Parties meeting developed by the TPRG:

1. Establishing a Preparatory Committee (PrepCom) to determine the negotiating agenda and structure for a new round at the meeting;

2. Resisting any attempt to create a separate PrepCom for trade in services; and

3. Opposing any attempt to attach preconditions to establishing the PrepCom.

The Council agreed that if the U.S. representatives of the Contracting Parties were unable to achieve our objectives, the

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Economic Policy Council would review the Administration's response and alternative course of action.

3. Section 301 Deadlines

Ambassador Yeutter stated that on September 7, when the President announced his decision to initiate several Section 301 investigations, he also announced that he was accelerating several existing Section 301 investigations by establishing a December 1 deadline for a satisfactory resolution of cases against Japanese leather and leather footwear quotas and EC canned fruit subsidies.

He stated that the TPRG estimates that the Japanese leather and leather footwear quotas impose damages of roughly $257 million a year on the U.S. He stated that the TPRG has recommended that a prohibitive tariff of 40 percent be imposed on $277 million worth of Japanese exports to the U.S. He noted that the list of products developed by the TPRG included optical fibers, which are important intermediate technological products. He suggested, however, that plastic optical fiber products not be included, thereby alleviating concerns about harming ourselves more than the Japanese. He also pointed out that if the discussions regarding the Section 301 case fail, the subsequent retaliation will be the first time the U.S. has done so against Japan.

Mr. Whitehead questioned whether the list of products which included lawn mowers and toy products, reflected the best mix of products. He suggested that the U.S. should use these opportunities also to target Japanese products and markets, to which U.S. industries have inadequate access.

Decision

The Council unanimously agreed to recommend to the President that he impose a prohibitive tariff against the $277 million in products recommended by the TPRG if the discussions regarding the Japanese leather and leather footwear quotas are not satisfactorily resolved.

EC Canned Fruit

Ambassador Yeutter stated that the TPRG had developed several options for the Council's consideration on possible retaliation against EC canned fruit subsidies, if the Section 301 case is not satisfactorily resolved:

1. Imposing prohibitive tariffs on canned fruit from the EC (including Spain as of January 1);

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2. Imposing prohibitive tariffs on canned fruit from the EC-10 (excluding Spain) with a 1985 value of $8.7 million and other products such as fresh apples and wheat gluten;

3. Imposing prohibitive tariffs on canned fruit from the EC-10; and

3a. Imposing prohibitive tariffs on canned fruit from the EC until such time as Spain and Portugal benefit from the canned fruit subsidy program, at which time the tariffs will be applied to the EC-12.

Ambassador Yeutter stated that the key question is the treatment of Spain under the retaliation. Several members of the TPRG had expressed concern that immediately targeting Spain would unnecessarily aggravate relations with Spain, at a time critical for Spanish participation in NATO. Secretaries Baker and Baldrige and Mr. Whitehead endorsed option 3a.

Decision

The Council unanimously agreed to recommend to the President that he impose a prohibitive tariff on canned fruit from the EC until such time as Spain and Portugal benefit from the canned fruit subsidy, at which time the tariff will be applied to the EC-12. The Council also agreed to monitor shipments of canned fruit from Spain and Portugal to prevent evasion of the tariff through transshipments through Spain or Portugal.

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